

TO THE SHAREHOLDERS:

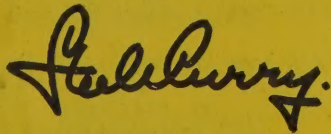
At the Annual Shareholders Meeting on June 22, the name of the Company was changed to Revelstoke Companies Ltd. from Revelstoke Building Materials Limited.

Revelstoke's sales for the first six months were 42.7% above 1971 and continued improvement in the Company's four divisions produced before tax operating income of \$215,000 compared to a loss last year of \$577,000. These figures take into account the adoption of a new depreciation policy which more accurately reflects the economic usage of assets. In the past the Company reported depreciation on the basis of the maximum rates used for income tax purposes. The net operating earnings before tax for the second quarter amounted to \$561,000 compared to a loss of \$47,000 for the same period last year restating depreciation for both years on the basis of economic usage.

On August 1, Revelstoke acquired the two Calgary retail stores of Mel's Lumber to provide complete coverage of the rapidly growing Calgary market through four strategically located Company stores. In addition, Revelstoke has initiated an expansion program at a number of existing stores where market conditions indicate a greater potential than that which can be serviced by present facilities.

At a Board Meeting on August 15, the Directors of the Company declared a dividend of \$.20 per common share payable on October 2 to all shareholders of record on September 15. The Board also called for an Extraordinary General Meeting of the Shareholders to be held on September 29, 1972 to obtain shareholder approval for updating the Company's Articles of Association, increasing the number of authorized common shares to 6,000,000 and splitting the common stock on a 3 for 1 basis.

The improvement of Revelstoke's overall operations and the favourable economic outlook for the Western Canadian economy should produce a higher level of profits in 1972 in comparison with last year.



STEELE CURRY
President

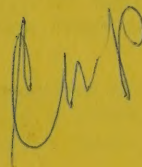
August 16, 1972.

AR43



Revelstoke

COMPANIES LTD.
AND SUBSIDIARY COMPANIES



INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS
ENDED JUNE 30, 1972

of Calgary

REVELSTOKE COMPANIES LTD.
CONSOLIDATED STATEMENT OF
SOURCE AND APPLICATION OF WORKING CAPITAL.

	Six Months ended June 30th	
	1972	1971
SOURCE OF WORKING CAPITAL:		
Operations —		
Operating income (loss) for the period (estimated)	\$ 104,373	\$ (379,391)
Non-cash charges (credits) —		
Depreciation and depletion (Note)	573,763	612,490
Other	3,037	1,688
	681,173	234,787
Miscellaneous	—	8,963
	681,173	243,750
APPLICATION OF WORKING CAPITAL:		
Fixed assets (less proceeds of disposals 1972 - \$41,435; 1971 - \$286,395)	945,764	1,132,537
Dividends and redemption of shares issued for stock dividend	184,350	127,178
Funded Debt	18,985	—
Preference shares acquired for cancellation	—	1,480
	1,149,099	1,261,195
Decrease in working capital	(467,926)	(1,017,445)
Working capital at beginning of period	7,006,323	8,238,650
Working capital at end of period	\$6,538,397	\$7,221,205

REVELSTOKE COMPANIES LTD.
CONSOLIDATED STATEMENT OF INCOME
(Subject to Audit and Year End Adjustment)

	Six Months ended June 30th	
	1972	1971
SALES	\$16,253,627	\$11,382,961
Cost of sales, selling, general and administrative expenses	15,228,814	11,275,983
	1,024,813	106,978
Depreciation and depletion (Note)	573,763	612,490
Interest (long term: 1972 - \$74,469; 1971 - \$86,008)	235,894	222,983
	809,657	835,473
Provision for income taxes (recovery)	215,156	(728,495)
	109,613	(347,176)
Operating income (loss) before minority interest	105,543	(381,319)
Minority interest	1,170	(1,928)
Operating income (loss) for the period	104,373	(379,391)
Gain (loss) on disposal of fixed assets	(281)	239,321
Net Income (loss) for the period	\$ 104,092	(\$ 140,070)
EARNINGS PER COMMON SHARE:		
Operating income (loss) for the period	\$0.07	(\$0.74)
Gain on disposal of fixed assets	—	0.40
Net income (loss) for the period	\$0.07	(\$0.34)

NOTE:

Effective January 1, 1972 the Company changed its depreciation policy to a straight line basis based on the economic life of its Fixed Assets.

The 1971 earnings have not been re-stated however had this policy been in effect in 1971 the six months results would have been as follows:-

Net loss from operations	(\$ 304,500)
	(62c per share)
Net Loss	(\$ 65,200)
	(22c) per share

REPORT TO SHAREHOLDERS:

Revelstoke's sales in the first half of 1973 increased 63.6% to \$26,506,000 in comparison to the same period in 1972. Net earnings to June 30, 1973 amounted to \$1,375,000 or \$.73 per common share as compared to \$104,000 or \$.02 per common share in 1972. The rate of tax on the income of the Lumber Division has been reduced for 1973 in accordance with the lower rate of tax applicable to manufacturing income.

Each of the Divisions contributed to the strong improvement in operating performance. The remerchandising and store expansion program initiated last year in the Retail Division is progressing favourably. During 1973 we are expanding ten of our stores and building six new stores at existing locations.

The Company has selected a site and entered into an agreement for the construction of a prototype retail outlet in the Calgary market. This store will contain approximately twice the selling area of any of our existing stores and will be specifically designed to maximize sales to do-it-yourself and home handyman customers. It is expected that this store, to be open at the end of 1973, will serve as a model for the type of new stores which the Company plans to open in major Canadian metropolitan areas in the future.

Revelstoke's Concrete Division continued to achieve record levels of sales and earnings. Increased construction activity, particularly in Alberta, and greater operating efficiencies contributed to this performance.

The Lumber Division has achieved a major turn around to the point where it is now a substantial contributor to the Company's earnings. While lumber prices have declined from the record high levels of earlier this year, in the last month prices appear to have stabilized.

During the first six months of 1973, term debt was increased by a \$1,000,000 five year bank loan and options on 4,500 common shares were exercised, increasing the total number of outstanding shares to 1,804,515 shares.

On August 30th, the Directors of the Company declared a dividend of \$.10 per common share payable on October 1, 1973 to all shareholders of record on September 14, 1973 bringing the total dividends paid in 1973 to \$.17 per common share. In 1972 common share dividends amounted to \$.13½ per share. The increase in common share dividends is in recognition of Revelstoke's increased level of earnings and the need to provide shareholders with an improved yield on their investment.

The outlook for the second half of 1973 is favourable assuming an early resolution of the national rail strike which is affecting lumber shipments, creating a cement shortage in certain areas and interfering with grain shipments.

Revelstoke's management team and employees throughout the Company are continuing to exhibit enthusiasm and resourcefulness in meeting the demands arising from the record levels of business activity.



STEELE CURRY,
President

August 30, 1973.

AR43



**REVELSTOKE
COMPANIES LTD.**

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS

ENDED JUNE 30, 1973

REVELSTOKE COMPANIES LTD.
CONSOLIDATED STATEMENT OF EARNINGS
(Subject to Audit and Year End Adjustment)

		Six Months Ended June 30	
		1973	1972
Sales	— Retail Division	\$15,608,000	\$ 9,664,000
	— Concrete Division	4,673,000	3,470,000
	— Lumber Division	7,396,000	3,621,000
	— Inter-Company	(1,171,000)	(501,000)
		<u>26,506,000</u>	<u>16,254,000</u>
Costs and Expenses			
	Cost of Sales, Selling, General and Administrative	22,943,000	15,229,000
	Depreciation and Depletion	673,000	574,000
	Interest (Long Term: 1973 — 122,000)		
	1972 — 75,000)	381,000	236,000
		<u>23,997,000</u>	<u>16,039,000</u>
		2,509,000	215,000
Gain on Disposal of Fixed Assets		43,000	—
		<u>2,552,000</u>	<u>215,000</u>
Income Taxes		1,171,000	110,000
		<u>1,381,000</u>	<u>105,000</u>
Earnings, before Minority Interest			
Minority Interest		6,000	1,000
		<u>\$ 1,375,000</u>	<u>\$ 104,000</u>
Net Earnings for the Period			
Net Earnings per Common Share		<u>\$.73</u>	<u>\$.02</u>

REVELSTOKE COMPANIES LTD.
CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS

		Six Months Ended June 30	
		1973	1972
SOURCE OF FUNDS:			
	Net Earnings for the Period	\$1,375,000	\$ 104,000
	Depreciation and Depletion	673,000	574,000
	Deferred Tax	217,000	84,000
	Goodwill Written-off	70,000	—
	Other	8,000	3,000
		<u>2,343,000</u>	<u>765,000</u>
	Long Term Bank Loan	1,000,000	—
	Stock Options	28,000	—
	Timber Berth Deposit Refunds	41,000	—
	Sale of Fixed Assets (Less gain included in earnings)	115,000	41,000
		<u>3,527,000</u>	<u>806,000</u>
APPLICATION OF FUNDS:			
	Fixed Assets	1,279,000	987,000
	Dividends	190,000	184,000
	Long Term Debt	—	19,000
	Acquisition of Subsidiary Company		
	(including working capital deficiency at date of acquisition)	112,000	—
		<u>1,581,000</u>	<u>1,190,000</u>
Increase (decrease) in Working Capital		<u>1,946,000</u>	<u>(384,000)</u>
	Working Capital at beginning of period	6,327,000	7,006,000
	Working Capital at end of period	<u>\$8,273,000</u>	<u>\$6,622,000</u>